Investment Policy Statement

Created: November 8, 2010

Last Modified: 4/13/2011

Prepared for:

Mount Holyoke College Investment Committee for the Defined Contribution Retirement Plan
Executive Summary
Client Name: Trustees of Mount Holyoke College
Client Type: Retirement Plans - Participant Directed
Client Subtype: Defined Contribution
Fiduciary Standard of Care: ERISA
Tax Id: 002
Current Assets: $207,000,000
"Safe Harbor" Compliance Options:
404(c): Selected
Fiduciary Adviser: Selected
QDIA: Selected

Investment Options List
(1) Target Date
(2) Fixed
(3) Money Market
(4) Bond: Long Government
(5) Bond: Intermediate
(6) Bond: High-Yield
(7) Bond: Inflation-Protected
(8) Domestic: Large Cap Growth
(9) Domestic: Large Cap Value
(10) Domestic: Mid Cap Growth
(11) Domestic: Mid Cap Value
(12) Domestic: Index Small Cap
(13) Domestic: Index Mid Cap
(14) Domestic: Index Large Cap
(15) Foreign: Diversified Emerging Market
(16) Foreign: Large Blend
(17) Real Estate: Domestic
(18) Brokerage Window

Purpose
The purpose of this Investment Policy Statement (IPS) is to assist the Investment Committee (Committee) in effectively supervising, monitoring and evaluating the management of the Retirement Plan (Plan). The Committee has the authority to oversee the investment of the Plan's assets. The Committee will discharge its responsibilities under the Plan solely in the interests of Plan participants and their beneficiaries.

The plan's investment program is defined in the various sections of this IPS by:

1. Stating in a written document the Committee's attitudes, expectations, objectives and guidelines for the investment of all of the plan's assets.
2. Encouraging effective communications between the Committee and all parties involved with the investment management decisions.
3. Establishing formal criteria to select, monitor, evaluate and compare the performance
results achieved by each investment option on a regular basis.

4. Establishing the number and characteristics of offered investment options.

5. Providing rate-of-return and risk characteristics for each asset class represented by various investment options.

6. Complying with all ERISA, fiduciary, prudence and due diligence requirements a prudent and knowledgeable person would utilize, and with all applicable laws, rules and regulations.

This IPS is intended to provide guidelines for the Committee, but the Committee is not required to strictly adhere to the IPS. Instead, the Committee should exercise independent judgment and discretion to fulfill its responsibilities for the benefit of the participants and within the context of providing retirement benefits.

Statement of Objectives

The purpose of the plan is to encourage employees to build long-term careers by providing eligible employees with a convenient way to save on a regular and long-term basis for retirement.

This IPS has been arrived at upon consideration by the Committee by a wide range of policies, and describes the prudent investment process the Committee deems appropriate. This process includes offering various asset classes and investment management styles that, in total, are expected to offer participants the opportunity to diversify their investments in a manner appropriate to their retirement objectives and risk/return requirements.

The objectives of the Plan are:

— Accumulate and pay retirement benefits to participants and their beneficiaries.

— Control costs of administering the plan and managing the investments.

Follow general "safe harbor" rules:

i. Use prudently selected experts (registered investment adviser (including mutual funds), bank, or insurance company) to make the investment decisions;

ii. Demonstrate that the expert was selected by following a due diligence process;

iii. Give the experts discretion over the assets;

iv. Have the experts acknowledge their co-fiduciary status (mutual funds are exempt from this requirement); and

v. Monitor the activities of the expert to ensure that the expert is performing the agreed upon tasks.

— The Committee intends for the Plan to satisfy the condition of ERISA section 404(c) and the 404(c) regulation and thereby obtain the protections afforded by the 404(c) "Safe Harbor." Those requirements include:

i. Notify plan participants that the plan sponsor intends to constitute a 404(c) plan;

ii. Provide participants at least three investment options that have materially different risk/return profiles;

iii. Provide participants with sufficient information so that each participant can make an informed decision about his or her selection of investment option(s); and

iv. Permit participants to change their investment strategy/allocation with a frequency that is appropriate in light of market volatility.
— Provide participants with a qualified default investment alternative (QDIA) that satisfies the conditions of ERISA section 404(c)(5) and the regulation thereunder. A QDIA may be:

  i. Age-based life-cycle or targeted retirement date funds or accounts;
  ii. Risk-based, balanced funds; or
  iii. An investment management service.

— The Committee has engaged the Investment Advisor to provide investment education to the participating employees in both group meetings and one-on-one settings. In addition, the Investment Advisor will, upon request, provide non-conflict investment advice to participants. (In this context, "non-conflicted" means advice that cannot result in additional payments to, or benefits for, the investment Advisor and, therefore, cannot be a conflict of interest.)

**Duties and Responsibilities**

**Investment Committee**

As fiduciaries under the plan, the primary responsibilities of the Committee are:

1. Determine the needs of the Plan and the participants, make investment policy decisions based on those determinations and on generally accepted investment theories, and prepare and maintain this investment policy statement.
2. Prudently select asset classes and investment styles such that participants can appropriately invest their accounts.
3. Prudently select investment options for those asset classes and investment styles, including diversified core options.
4. Control and account for all investment, recordkeeping and administrative expenses associated with the plan.
5. Monitor and supervise all service vendors and investment options.
6. Appropriately evaluate and manage prohibited transactions and conflicts of interest.

**Custodian**

Custodians are responsible for the safekeeping of the plan’s assets. The specific duties and responsibilities of the custodian are:

1. Value the holdings.
2. Collect all income and dividends owed to the plan.
3. Settle all transactions (buy-sell orders).
4. Provide monthly reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall plan since the previous report.
5. Maintain separate accounts by legal registration.

**Investment Advisor**

The Investment Advisor serves as an objective, third-party professional retained to assist the Committee in managing the overall investment process. The Advisor is responsible for guiding the Committee through a disciplined and rigorous investment process to enable the Committee to meet the fiduciary responsibilities outlined above.
Asset Class Guidelines

The Committee believes long-term investment performance, in large part, is primarily a function of asset class mix. The Committee has reviewed the long-term performance characteristics of the broad asset classes, focusing on balancing the risks and rewards. Historically while interest-generating investments, such as bonds, have the advantage of relative stability of principal value, they provide little opportunity for real long-term capital growth due to their fixed return and susceptibility to inflation.

On the other hand, equity investments, such as common stocks, have a significantly higher expected return but have the disadvantage of much greater year-by-year variability of return. From an investment decision-making point of view, this year-by-year variability may be worth accepting provided the participant's time horizon is sufficiently long (five years or greater).

As a result of these considerations, the Plan will offer a broad range of investment options that allow participants to, by selecting among them, construct portfolios in their respective accounts to fit their tolerance for risk and their needs for return (their risk/return profile). In addition, the Committee will offer investment options for their portfolios (such as targeted retirement date funds and/or risk-based balance funds).

The following asset classes were selected. The performance expectations (both risk and return) of each broad asset class are contained in Appendix A.

(list current asset categories utilized - TBD)

Implementation

Each investment option should be managed by: (i) a bank; (ii) an insurance company; (iii) a registered investment company (mutual fund); or, (iv) a registered investment adviser. The Committee will apply the following due diligence criteria in selecting each money manager or mutual fund.

Implementation Criteria

The implementation criteria are based on the fi360 Fiduciary Score Methodology. The Committee will be separately provided with materials describing that methodology (although key elements are described below).

Fiduciary Score Qtr: Investment must receive a score of less than or equal to 25. (i.e., the fund must place in the top 25% of its peer group).

fi360 Fiduciary Score Criteria

a. Track record: The fund should have a minimum three year history.

b. Assets in the fund: The fund should have at least $75 million under management (total across all share classes).

c. Stability of the organization: The portfolio manager should have at least a two-year tenure. In a management team setting, the most senior manager's tenure should be at least two years.

d. Composition consistent with asset class: A minimum of 80% of the fund's securities should be consistent with the peer group's asset class. (Only applicable to certain peer groups - See the Fiduciary Score Methodology for specific details)

e. Style consistency: The fund's category and current style box should be the same. (Only applicable to certain peer groups - See the Fiduciary Score Methodology for specific details)
f. Expense ratio/fees relative to peers: The expense ratio for the fund should be above the bottom quartile (most expensive) of the peer group.

g. Risk-adjusted performance relative to peers: The fund's Alpha and Sharpe Ratio should be above the peer group's median.

h. Performance relative to peers: The fund's 1-, 3- and 5-year trailing performance should be above the peer group's median.

Selection Criteria for QDIA/Target Date Funds

a. The Committee, with guidance and advice from the Investment Advisor, will select a suite of target date funds, which will be used for both affirmative selection by participants and for default investments for participants who do not direct the investment of their accounts.

b. The target date funds will satisfy the conditions to constitute "qualified default investment alternatives," or QDIAs, under ERISA section 404(c)(5).

c. In selecting the target date suite, the Committee will evaluate the needs of the plan and participants, the asset allocation and glide paths of the funds, the underlying investments, and the expenses, as well as other relevant and material factors.

Monitoring - Performance Objectives

The Committee acknowledges fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, the Committee intends to evaluate investment performance from a long-term perspective.

The Committee is aware the ongoing review and analysis of the investment options is just as important as the initial due diligence process. The performance of the investment options will be monitored on an ongoing basis and it is at the Committee's discretion to take corrective action by replacing a manager if they deem it appropriate at any time.

On a timely basis, but not less than quarterly, the Committee will meet to review whether each investment; specifically:

1. The investment option's adherence to the Watch List Criteria identified below;
2. Material changes in the investment option's organization, investment philosophy and/or personnel; and,
3. Any legal, SEC and/or other regulatory agency proceedings affecting the investment option's organization.

Monitoring - Benchmarks

The Committee has determined it is in the best interest of the Plan's participants that performance benchmarks be established for each investment option. Manager performance will be evaluated in terms of an appropriate market index (e.g., the Russell 1000 TR/USD index for large-cap blend domestic equity manager) and the relevant peer group (e.g., the large-cap growth mutual fund universe for a large-cap growth mutual fund).

<table>
<thead>
<tr>
<th>Peer Group</th>
<th>Benchmark Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSET CATEGORY</td>
<td>PEER GROUP INDEX</td>
</tr>
<tr>
<td>(1) Target Date Series</td>
<td>Separate analytics will be utilized based upon glide path methodology</td>
</tr>
<tr>
<td>(2) Fixed</td>
<td>USTREAS T-Bill Auction Avg 3 mo.</td>
</tr>
</tbody>
</table>
(3) Money Market USTREAS T-Bill Auction Avg 3 mo.
(4) Bond: Long Government BarCap US Gov’t Long TR USD
(5) Bond: Intermediate BarCap US Gov’t/Credit 5-10 Yr TR USD
(6) Bond: High-Yield BofaML US HY Master II TR USD
(7) Bond: Inflation-Protected BarCap US Treasury US TIPS TR USD
(8) Domestic: Large Cap Growth Russell 1000 Growth TR USD
(9) Domestic: Large Cap Value Russell 1000 Value TR USD
(10) Domestic: Mid Cap Growth Russell Mid Cap Growth TR USD
(11) Domestic: Mid Cap Value Russell Mid Cap Value TR USD
(12) Domestic: Index Small Cap Russell 2000 TR USD
(13) Domestic: Index Mid Cap S&P Mid Cap 400 TR
(14) Domestic: Index Large Cap Russell 1000 TR USD
(15) Foreign: Diversified Emerging Market MSCI EM NR USD
(16) Foreign: Large Blend MSCI AC World Ex USA NR USD
(17) Real Estate: Domestic DJ US Select REIT TR USD
(18) Brokerage Window n/a

**Monitoring - Watch List Criteria**
The decision to retain or terminate an investment option cannot be made by a formula. Also, extraordinary events do occur that may interfere with the investment option's ability to prudently manage investment assets. It is the Committee's confidence in the investment option's ability to perform in the future that ultimately determines the retention of an investment option.

An investment option may be placed on a Watch List and a thorough review and analysis of the investment option may be conducted, when:

**Monitoring Criteria**
The monitoring criteria are also based on the fi360 Fiduciary Score Methodology.

Fiduciary Score Qtr: Investment must receive a score of less than or equal to 25. (i.e., the fund must place in the top 25% of its peer group).

**fi360 Fiduciary Score Criteria**

a. Track record: The fund should have a minimum three year history.

b. Assets in the fund: The fund should have at least $75 million under management (total across all share classes).
c. Stability of the organization: The portfolio manager should have at least a two-year tenure. In a management team setting, the most senior manager’s tenure should be at least two years.

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g. Risk-adjusted performance relative to peers: The fund’s Alpha and Sharpe Ratio should be above the peer group’s median.

h. Performance relative to peers: The fund’s 1-, 3- and 5-year trailing performance should be above the peer group’s median.

Monitoring of QDIA Target Date Funds
The Committee will monitor the suite of target date funds using the methodology described in the Selection Criteria.

Any investment option placed on the Watch List shall be reviewed at regular intervals. Each of those reviews will result in a decision to keep the option on the Watch List, to remove the option from the Plan, or to remove the option from the Watch List and keep it in the Plan.

Monitoring - Measuring Costs
The Committee will review at least annually all costs associated with the management of the plan, including:

1. Expense ratios of each mutual fund against the appropriate peer group.

2. Administrative fees: costs to administer the plan, including record keeping, custody and trust services.

3. The proper identification and accounting of all parties receiving soft dollars and/or 12b-1 fees generated by the plan.

4. The proper allocation of the cost and the expenses among the providers to the Plan and the evaluation of the total compensation, direct and indirect, received by each provider, compared to the value of the services being rendered and the pricing for similar services in the marketplace.

Investment Policy Review
The Committee will review this IPS at least annually to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

Participant Investing
The Committee shall periodically (at least annually) review the investment practices of the Plan’s participants. To the extent that review reveals deficiencies in those practices, the Committee will consider appropriate services (such as additional investment education or advice) and appropriate investments (such as portfolios like targeted retirement date funds).
Appendix A: Capital Market Assumptions

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### Capital Market Inputs

<table>
<thead>
<tr>
<th></th>
<th>Return</th>
<th>Risk</th>
<th>Historical Index Utilized</th>
<th>Backtest Peer Group</th>
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</thead>
<tbody>
<tr>
<td>Large Cap Equity</td>
<td>7.8</td>
<td>15.9</td>
<td>S&amp;P 500 Large Company Stocks</td>
<td>Large Blend</td>
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<tr>
<td>Mid Cap Equity</td>
<td>8.2</td>
<td>17.9</td>
<td>Russell Mid Cap</td>
<td>Mid-cap Blend</td>
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<td>Small Cap Equity</td>
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<td>S&amp;P 500 Small Company Stocks</td>
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<td>International Equity</td>
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<td>MSCI EAFE</td>
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<td>25.0</td>
<td>MSCI Emerging Markets</td>
<td>Diversified Emerging Markets</td>
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<td>19.3</td>
<td>DJ US Select REIT</td>
<td>Real Estate</td>
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<td>High Yield Bond</td>
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<td>Credit Suisse High Yield Bond Index</td>
<td>High Yield Bond</td>
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<td>Long-term Bond</td>
<td>4.2</td>
<td>10.2</td>
<td>Barcap U.S. Long Gov/Credit Bond</td>
<td>Long Term Bond</td>
</tr>
<tr>
<td>International Bond</td>
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<td>10.8</td>
<td>Citigroup World Gov Bond ex US</td>
<td>World Bond</td>
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<td>Gold, London PM Fix</td>
<td>Equity Precious Metals</td>
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<td>1.2</td>
<td>S&amp;P 500 30 day US Treasury Bill</td>
<td>Money Market Taxable</td>
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### Correlation Coefficients

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<th>NCE</th>
<th>SCE</th>
<th>IE</th>
<th>EM</th>
<th>REIT</th>
<th>HY</th>
<th>LTB</th>
<th>ITB</th>
<th>IB</th>
<th>CO</th>
<th>MM</th>
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<td>Large Cap Equity (LCE)</td>
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<td>0.75</td>
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<td>0.66</td>
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<td>0.60</td>
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<td>0.04</td>
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<td>0.66</td>
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<td>0.02</td>
<td>0.08</td>
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<td>1.00</td>
<td>0.46</td>
<td>0.53</td>
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<td>0.66</td>
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<td>0.46</td>
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<td>0.31</td>
<td>0.19</td>
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<td>0.52</td>
<td>0.06</td>
<td>0.44</td>
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<tr>
<td>International Bond (IB)</td>
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<td>-0.04</td>
<td>0.46</td>
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<td>0.52</td>
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<td>Commodities (CO)</td>
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<td>0.31</td>
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<td>Money Market (MM)</td>
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<td>0.08</td>
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<td>0.44</td>
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